

Message Text

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SUBJECT: WASH POST NEWSPAPER ARTICLE ON US-CZECH RELATIONS

REF: PRAGUE 2636

GENEVA FOR AMBASSADOR SHERER

FOLLOWING IS TEXT OF RICHARD WEINTRAUB'S ARTICLE ON US-
CZECH RELATIONS WHICH APPEARED IN OCT 19 EDITION OF
WASHINGTON POST:

QUOTE: IN THE SHADOW OF THE PUBLIC DEBATE BETWEEN SECRETARY
OF STATE KISSINGER AND SEN. HENRY M. JACKSON (D-WASH) OVER
SOVIET EMIGRATION AND THE TRADE BILL, A LITTLE-NOTICED
AMENDMENT HAS BEEN ATTACHED TO THE BILL CAUSING MAJOR
PROBLEMS IN US RELATIONS WITH CZECHOSLOVAKIA.

THE SENATE FINANCE COMMITTEE HAS ACCEPTED AN AMENDMENT BY
SEN. MIKE GRAVEL (D-ALASKA), WHICH WOULD EFFECTIVELY
SCUTTLE AN AGREEMENT REACHED IN JULY REMOVING THE LAST MAJOR
OBSTACLE TO IMPROVED RELATIONS BETWEEN THE TWO COUNTRIES.

STATE DEPARTMENT SOURCES IRRITATED BY THE DEVELOPMENT,
POINTED OUT THAT THE AMENDMENT WAS PASSED ON THE BASIS OF
TESTIMONY BY ONLY ONE CLAIMANT.

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GRAVEL'S AMENDMENT REQUIRES THAT CZECHOSLOVAKIA PAY IN FULL

CLAIMS BY US CITIZENS WHOSE PROPERTY WAS CONFISCATED WHEN THE COMMUNISTS CAME TO POWER IN CZECHOSLOVAKIA IN 1948. UNTIL THIS IS DONE, THE AMENDMENT STATES, THE UNITED STATES CANNOT GRANT MOST-FAVORED-NATION STATUS, CREDITS OR LOANS TO CZECHOSLOVAKIA OR BE INVOLVED IN THE RETURN OF MORE THAN 18 METRIC TONS OF GOLD THAT HAVE BEEN IN US, BRITISH, AND FRENCH CUSTODY SINCE THE END OF WORLD WAR II. THE ALLIES RECOVERED THE GOLD FROM THE NAZI GOVERNMENT OF GERMANY, WHICH HAD TAKEN IT FROM CZECHOSLOVAKIA.

IN THE PRELIMINARY AGREEMENT SIGNED IN JULY, THE UNITED STATES AGREED TO RETURN THE GOLD, AND THE CZECHS AGREED TO PAY \$20.5 MILLION TO MEET CLAIMS OF US CITIZENS. THE FIGURE IS LESS THAN THE TOTAL AMOUNT OF THE CLAIMS, BUT JUST HOW MUCH LESS DEPENDS ON WHO IS DOING THE FIGURING.

WHILE MORE THAN 2,630 CLAIMS AGAINST CZECHOSLOVAKIA HAVE BEEN ADJUDICATED BY THE US FOREIGN CLAIMS SETTLEMENT COMMISSION, ONLY ONE HAS COME UP IN OPEN TESTIMONY BEFORE THE SENATE FINANCE COMMITTEE SINCE GRAVEL SUBMITTED HIS AMENDMENT.

THE CLAIM WAS BROUGHT UP SEPT. 26 BY ATTORNEY EDWARD L. MERRIGAN WHO TESTIFIED IN FAVOR OF THE AMENDMENT IN THE ONLY OPEN SESSION THE COMMITTEE HELD ON THE MATTER. MERRIGAN, A LAW PARTNER OF FORMER SEN. GEORGE SMATHERS, WHO SERVED ON THE FINANCE COMMITTEE FOR OVER A DECADE, WAS REPRESENTING ARIS GLOVES, INC., A CALIFORNIA SUBSIDIARY OF CONSOLIDATED FOODS.

MERRIGAN SAID THAT THE PRELIMINARY AGREEMENT WOULD GIVE HIS CLIENT ONLY \$185,000 OF AN ADJUDICATED CLAIM OF \$451,000. THE COMPANY'S ORIGINAL CLAIM WAS \$2 MILLION FOR GLOVE MANUFACTURING PLANTS, MACHINERY AND BANK DEPOSITS EXPROPRIATED BY THE CZECHOSLOVAK GOVERNMENT.

MERRIGAN ARGUED THAT HIS CLIENTS AND OTHERS ACTUALLY ARE GETTING FAR LESS THAN THE 42 CENTS ON THE DOLLAR WHICH THE STATE DEPARTMENT SAYS IT WON IN THE JULY AGREEMENT. IN HIS CALCULATIONS OF WHAT THE CLAIMANTS SHOULD GET, MERRIGAN

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INCLUDED AN AMOUNT FOR INTEREST, WHICH DID NOT ENTER INTO THE STATE DEPARTMENT FIGURES, AND EXCLUDED PAYMENTS MADE TO CLAIMANTS BY THE US GOVERNMENT FROM THE PROCEEDS OF THE SALE OF A STEEL MILL ORDERED BY CZECHOSLOVAKIA IN 1947 BUT NEVER DELIVERED.

MERRIGAN ARGUED THAT THE STATE DEPARTMENT FAILED TO BARGAIN FROM A POSITION OF STRENGTH WHICH HE SAID IT HAD BECAUSE OF

THE VASTLY APPRECIATED VALUE OF THE GOLD BEING HELD FOR CZECHOSLOVAKIA.

THE GOLD IS VALUED AT ABOUT \$90 MILLION AT CURRENT MARKET PRICES.

MERRIGAN RECEIVED STRONG SUPPORT FROM COMMITTEE CHAIRMAN RUSSELL B. LONG (D-LA.) AND SEN. HARRY F. BYRD, JR. (D-VA.) AS WELL AS FROM GRAVEL, WHO FACES A TOUGH FIGHT IN HIS RE-ELECTION CAMPAIGN THIS YEAR FROM AN ARCH-CONSERVATIVE OPPONENT.

IN RHETORIC REMINISCENT OF SOME OF THE COLDER DAYS OF THE COLD WAR, SEN. LONG BERATED DEPUTY SECRETARY OF STATE ROBERT INGERSOLL, WHO OPPOSED THE AMENDMENT, IN THE SEPT. 26 SESSION OF THE COMMITTEE.

"WHEN YOU (THE STATE DEPARTMENT) COME OVER HERE, I SUGGEST YOU LEAVE YOUR SANTA CLAUS COSTUMES OUTSIDE THE DOOR." SEN. LONG SAID.

"UNTIL THESE CLAIMS ARE PAID, I WOULDN'T GIVE THEM THE BACK OF MY HAND." SAID THE SENATOR WHO PRESSED INGERSOLL AS TO WHY THE GOLD SIMPLY COULD NOT BE KEPT BY THE UNITED STATES TO SETTLE THE CLAIMS.

INGERSOLL ARGUED THAT THE STATE DEPARTMENT HAD NEGOTIATED THE BEST AGREEMENT THAT COULD BE EXPECTED AND THAT THE CZECHOSLOVAK GOVERNMENT IS NOT LIKELY TO REOPEN THE NEGOTIATIONS, PARTICULARLY WITH THE FOREKNOWLEDGE THAT THE UNITED STATES WOULD DEMAND PAYMENT IN FULL.

INGERSOLL ADDED THAT THE CZECHOSLOVAKS HAD RAISED QUESTIONS
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ABOUT THE "CREDIBILITY" OF THE US NEGOTIATORS ON THE BASIS OF THE PROBLEMS RAISED BY THE GRAVEL AMENDMENT.

THE SETTLEMENT NEGOTIATED WITH CZECHOSLOVAKIA IS COMPARABLE TO THOSE REACHED WITH OTHER EASTERN EUROPEAN GOVERNMENTS, THE STATE DEPARTMENT NOTES. TWO-YEARS AGO FOR EXAMPLE AN-AGREEMENT WITH HUNGARY PROVIDED-SETTLEMENT OF 40 CENTS ON THE DOLLAR.

THE CZECHOSLOVAK EMBASSY HERE HAS MAINTAINED AN OFFICIAL PUBLIC SILENCE ON THE MATTER.

STATE DEPARTMENT SOURCES INVOLVED IN THE CZECH CLAIMS CASE HAVE EXPRESSED BITTERNESS AT THE "UNPRECEDENTED" INVOLVEMENT OF THE CONGRESSIONAL COMMITTEE IN AN AREA

WHICH THEY SAY IS "TRADITIONALLY" ONE FOR EXECUTIVE ACTION.

IN ADDITION, THESE SOURCES NOTED THAT THE MATTER WAS BEING
PRESSED ONLY "BY ONE CLAIMANT AND ONE ATTORNEY."

"TO OUR KNOWLEDGE NO OTHER MAJOR FIRMS OR PRIVATE CLAIMANTS
HAVE SUPPORTED THIS AMENDMENT," A STATE DEPARTMENT SOURCE
SAID.

MERRIGAN, ON THE OTHER HAND, SAID YESTERDAY THAT HE HAS
RECEIVED A NUMBER OF CALLS SUPPORTING HIS POSITION.

AN AIDE TO GRAVEL SAID EARLIER THIS WEEK THAT THE SENATOR
HAS LONG HAD CONCERNS ABOUT DETENTE, AND "WHEN THIS MATTER
CAME TO HIS ATTENTION HE FELT THIS WAS THE TIME TO CALL A
HALT TO ONE-SIDED DEALS."

WHILE THE FUTURE OF THE AMENDMENT REMAINS UNCERTAIN, FINAL
ACTION ON THE CLAIMS AGREEMENT IS BEING HELD UP BY STATE
DEPARTMENT UNTIL CONGRESS COMPLETES ACTION ON THE TRADE
BILL. THE AMENDMENT IS NOT PART OF THE HOUSE VERSION OF
THE BILL. KISSINGER

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